



MINUTES OF THE CITY COUNCIL WORK SESSION
CITY OF NEW PORT RICHEY

NEW PORT RICHEY CITY HALL COUNCIL CHAMBERS

5919 MAIN STREET, NEW PORT RICHEY, FLORIDA

October 17, 2017

5:30 PM

ORDER OF
BUSINESS

1 Call to Order - Roll Call

The meeting was called to order by Mayor Rob Marlowe at 5:30 pm. Those in attendance were, Deputy Mayor Jeff Starkey, Councilman Bill Phillips and Councilwoman Judy DeBella Thomas.

Also in attendance were City Manager Debbie Manns, Deputy City Clerk Joyce Haasnoot, Economic Development Director Mario Iezzoni and Technology Solutions Director Bryan Weed.

DISCUSSION ITEMS

2 Hacienda CRA Work Session - Page 2

City Manager Manns introduced the item to the CRA Board. She stated the purpose of the work session was to provide and update on the status of the Small-Matching and Special Category Grants received from the Division of Historic Resources, and to continue the discussion in respect the restoration of the Hacienda Hotel. She introduced Economic Development Director, Mario Iezzoni who made a presentation. Mr. Iezzoni advised the CRA Board that the award for the Small-Matching Grant is \$100,000 and the Special Category Grant is \$750,000. The architect is completing bid documents and expects to let the Small-Matching bid in January. The Small-Matching scope of work includes restoration of the historic patio facing Sims Park, restoration of the historic lobby staircase, and installation of a supporting beam over the dining room archway. The bids documents for the Special Category Grant is expected in early February. This scope of work will involve installation of new windows and doors. The construction phase is expected to span 15 months.

Councilwoman DeBella Thomas asked if any original windows can be a museum piece, or as an actual window in the building. Mr. Iezzoni stated there are original windows on the Sims Park facade that will be restored and not replaced.

Deputy Mayor Starkey referred to a photo of the Bank Street entrance that Mr. Iezzoni included in his presentation and asked what Friends of Hacienda will be contributing to towards the costs of the original wall re-creation. Mr. Iezzoni stated, they are contributing \$20,000.

Mr. Iezzoni presented to Council four concepts relating to the future use of the Hacienda. They are as follows: Single-Purpose Tax-Exempt Financing Entity, Sell/Lease to Operator, Incremental Approach, and CRA Restoration. Mr. Iezzoni stated one condition to keep in mind with all options is the acceptance of grant money. The City has placed a restrictive covenant on the deed as required by the State. The restrictive covenant requires upkeep of the property. Additionally, any significant changes made to the hotel outside the scope of the grant work will need approval from the State. Councilwoman DeBella Thomas asked if we have to retain ownership as a requirement to receiving grant funds. Mr. Iezzoni said the restrictive covenant could possibly affect the sale or transfer of title, but the City must retain ownership for at least one year after the grant is closed-out. The restrictive covenant moves to the new owner, should ownership transfer.

Councilwoman DeBella Thomas asked if we had any issues after the deal fell through with Rosners in relation to the grants restrictive covenant. Councilman Phillips stated that we increased the City liability by \$500,000 by accepting another grant. He felt it restricts the City and what they can do with the property and that the City could be liable for repayment of grant funds. Councilman Phillips asked what becomes of the City liability if we sell the property and within a short time the Hacienda is foreclosed, what happens then. Will it trigger a requirement that the City repay funds for violating the restrictive covenant? Deputy Mayor Starkey stated he is glad we took the grant money. Councilman Phillips asked if we have the money though to repay the grant if necessary, if something does happen and we are required to pay back the funds. He is glad overall the City received the money and kept the project moving. He reiterated however that it will affect any deal the City makes. We will need to work with someone who understands the liability and the risk. Deputy Mayor Starkey confirmed that if we transfer ownership the liability will go to the new owner. Mr. Iezzoni said, it will, and explained it was not an issue during the Rosner deal. They were aware of the restrictive covenant.

Councilman Phillips stated why we moved forward with the Rosners. Because we were at the tail end of the recession and wanted to get the Hacienda moving as an uptick for city economy and the Rosners were bringing at least \$2 million of their own money to the table. Other potential developers would have required financing. He discussed previous City Managers and their ideas for the Hacienda, such as becoming a partner with a developer and being part of the operations of the hotel and receiving part of the returns.

Mr. Iezzoni discussed Single-Purpose Tax-Exempt entity, the first concept. He explained it as an alter ego entity to the City. The City will create a separate board of directors functioning as a 501(c)3. The Board will hire a developer to restore the hotel. Then hire an operator to manage the hotel. The City remains the owner once the bond is paid-off using the annual operating profits, any extra flows directly to the CRA. The bond would be in a separate entity. The City will have no responsibility to any bond financing. Deputy Mayor Starkey asked why a developer would want to do it under this way rather than buying the property. Mr. Iezzoni stated a developer can use it to make money without the risks of owning. Councilman Phillips said they can get a tax write-offs and other business benefits. Mr. Iezzoni stated, the business model is primarily to generate additional revenue by adding more beds for the hotel chain. They manage the property without being responsible for the ownership of the building. This process would be more complex, and more costly and likely a concern to taxpayers. Deputy Mayor Starkey asked how a developer uses the money on the hotel. Mr. Iezzoni said it would likely be developed as a very high-end property. Councilman Phillips stated that the median income around here will be an issue with this process and ability to afford the room rate and the city still has debt on the recreation center, more debt could affect the City bond rating.

Mr. Iezzoni said as a 501(c)3 the project could qualify for tourist development dollars to offset cost. Councilman Phillips stated the county tourist office has not been accommodating the west

side of Pasco and we cannot count on that money coming to us. Since we can't count on the tourist dollars, it makes the deal more complicated. Originally, this was an idea because there were no others out there.

Deputy Mayor Starkey asked if the City has spoken to Pasco County about tourist dollars for this project and explained why we want the funds. Mr. Iezzoni responded, yes, and mentioned the City would like to receive money from tourist funds. To receive money, state statute requires that it must fit within guidelines, such as a museum. A County Commissioner that Mr. Iezzoni spoke to said, he would support the project receiving funds and gave options how to go about receiving tourist dollars. City Manager Manns indicated she had discussions with the county and we need to continue to discussions with them.

Mr. Iezzoni then went to present the Sale/Lease, option. He indicated there were several advantages, such as a 20% historical tax credit for the developer/operator as well as additional tax advantages related to the operator's investment. This option tends to be less complicated than the non-profit option. Additionally, if the developer/operator has previously restored such a property they are familiar with the historic preservation requirements. This option is less of a burden to taxpayers, since the funds to restore and operate the Hacienda come from the developer/operator. Additionally, it affords the capacity to work faster with their own contractors. This option is the strongest. There are additional economic benefits to the city, such as Real Estate and Tangible Taxes.

Councilman Phillips stated; this concept, no matter what they have done somewhere else, every city department should be involved from day-one, Development, Permitting, Etc. It will yield a much better result, with few delays from the beginning. Mayor Marlowe expressed that stewardship is an issue. The city should protect the property. Mayor Marlowe does not want to see it as an Assisted Living Facility. He prefers leasing, keeping the hotel as the City wants. Mr. Iezzoni indicated a long-term lease as is the case with Tampa's Le Meridian Hotel is an example of such an arrangement to protect the long-term interest of the city. Mayor Marlowe stated he would be open to a long-term lease as long as the taxpayers are protected. Councilwoman DeBella Thomas agreed.

Deputy Mayor Starkey stated he understands the demographics of the city, but we need to get over the way things are now, otherwise we won't have more redevelopment. We should use the Hacienda as a cornerstone to the development in the city. This project will spur redevelopment and increase the income throughout. He understands the naysayers, but does not agree and used Beef O' Brady's as an example. It is a successful business in downtown that wasn't expected to be. Mayor Marlowe agreed and mentioned the White Heron Tea Room and the success of a place like a tea room within the City. The success of Beef O' Brady's has made other business owners step up. Mayor Marlowe spoke to Kelly Hackmann who owns White Heron. Most of her patrons are from out of town. Deputy Mayor Starkey said, use the Richey Theater for more concerts, shows, and people will come to town and the hotel.

Mr. Iezzoni stated a proforma on the Hacienda done by a firm with considerable experience, supported a \$150 per night room rate. The author of the study said, they were modest in that rate. A potential developer he spoke with stated they agreed, and the number could be higher, because of the interest in boutique hotels. Councilwoman DeBella Thomas stated a key is that it is a historic property and is a key to bring in families and vacationers.

The Third option, is an incremental approach. The CRA can make repairs that allow for safe, public access to the Hacienda. Making repairs to stay code-compliant with the goal of opening the first-floor, possibly leasing the dining area out as a restaurant. He estimates the additional cost could be as high as \$2 million, using a combination of CRA and historic preservation grant funds. The Fourth option is the complete restoration of the Hacienda funded the CRA. The project would be run by the CRA Board of Directors. Profits would go directly to the CRA.

Councilman Phillips asked about our budget and found it disappointing the County Tax Appraiser valued the Hacienda \$60,000 less this year than last year, even though \$1 million dollars in

repairs were put into the property. He's concerned a developer may pull the property records and use that in negotiations. Councilman Phillips feels that the way things are set, with timeline and grant timetables, nothing will happen to the Hacienda before 2020. And feels, we are losing viable downtown revenue. We have not seen the taxable value yet, and if we are investing this money, we need to be stronger with the tax appraiser. So if we get a chance to negotiate our elements that we have promoted shows in the properties overall valuation. The City should have looked at it earlier such as in 2006, 2008 when they tried to come up with plan for Hacienda. The path should be to open the Hacienda quicker and not use money by doing an incremental or CRA situation. Councilwoman DeBella Thomas agreed with Councilman Phillips and wondered how the appraiser valued the Hacienda.

Councilwoman DeBella Thomas would like to explore the different options presented and given time to chew on them. Councilwoman DeBella Thomas feels this project is a key to our economic development along with other project the City is doing. Mayor Marlowe stated he prefers a lease-option and to get the hotel open sooner. Deputy Mayor Starkey asked if Mr. Iezzoni wants to go back out to RFP for the hotel. Mr. Iezzoni stated yes. Councilman Phillips said to give another 30 days for the city to roll out a plan as far as where we want to go. And in 30 days, have a framework to give to the public. Deputy Mayor Starkey asked if the timing is right for an RFP, he doesn't want to see nothing come of it. Mr. Iezzoni said, "The time is right." Councilman Phillips proposal to issue a plan in 30 days is good. Deputy Mayor Starkey said, we have to determine if we are, as a city, going to do it, or do we bring in a developer? We need to decide. Mr. Iezzoni said, the vibe within the city is different than the last RFP that was issued and based on strong interest currently in the property it's a good time to issue an RFP.

Bob Langford with Friends of the Hacienda came forward. He likes the ideas and feels it's a great project that the people are excited about. The Friends of the Hacienda will have another event on the 28th of October and is working on other ideas for later in the year. He feels Council is reading their constituents well, and thought Councilman Phillips brought up a good valid point on the tax assessor lowering the value. Deputy Mayor Starkey asked, Mr. Langford how the Hacienda event they recently held in the building went? They sold 180 tickets at \$100 each and had to turn away people. Deputy Mayor Starkey said, that his point is that despite what people say about income of our area, people were willing to pay for the experience.

3 Adjournment

There being no further business to consider, upon proper motion, the meeting adjourned at 6:47 pm.

Approved: _____ (date)

_____ (signed)

Initialed: _____

Joyce Haasnoot, Deputy City Clerk